

1 HB180
2 135433-1
3 By Representative Ford
4 RFD: Ways and Means General Fund
5 First Read: 07-FEB-12

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8 SYNOPSIS: Currently, members of the Teachers'
9 Retirement System and the Employees' Retirement
10 System may not be new participants in the DROP
11 Program after April 1, 2011, which also imposes
12 limits on interest that could be paid on DROP
13 accounts.

14 This bill would reestablish DROP and would
15 remove limits on interest that could be paid on
16 DROP accounts.

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18 A BILL
19 TO BE ENTITLED
20 AN ACT

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22 To amend Sections 16-25-150 and 36-27-170, as last
23 amended by Act 2011-27, 2011 Regular Session, of the Code of
24 Alabama 1975, relating to the Deferred Retirement Option Plan,
25 to allow new participation in the plan and remove limits on
26 interests paid on the accounts.

27 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

1 Section 1. Sections 16-25-150 and 36-27-170, as last
2 amended by Act 2011-27, 2011 Regular Session, of the Code of
3 Alabama 1975, are amended to read as follows:

4 "§16-25-150.

5 "(a) As governed by this subsection, there exists as
6 a part of this retirement system an optional account known as
7 the Deferred Retirement Option Plan, which may be cited as
8 "DROP." The purpose of DROP is to allow, contractually, in
9 lieu of immediate withdrawal from service and receipt of a
10 retirement allowance, continued employment for a specific
11 period of time, coupled with the deferral of receipt of a
12 retirement allowance until the end of the period of
13 participation, at which time the member shall withdraw from
14 service.

15 "(b) Participation in DROP is an option available to
16 any member of this retirement system who meets all of the
17 following requirements:

18 "(1) Has at least 25 years of creditable service
19 exclusive of sick leave.

20 "(2) Is at least 55 years of age.

21 "(3) Is eligible for service retirement.

22 "(4) Has an annual salary of one hundred thousand
23 dollars (\$100,000) or less.

24 "(c) An election to participate in DROP may be made
25 in one year increments not to exceed five years, nor to be
26 less than three years. A member may participate in DROP only
27 one time. Any voluntary termination within the first three

1 years in DROP will result in a forfeiture of the portion of
2 his or her DROP account that constitutes the retirement
3 allowance. However, member contributions will not be
4 forfeited, nor will any interest attributable to the
5 retirement allowance. There will be no penalty forfeiture if
6 the participation period is interrupted due to an involuntary
7 dismissal, disability, involuntary transfer of his or her
8 spouse, or death of the participant. After five years, the
9 employee shall withdraw from active service upon completion of
10 DROP. The employee shall not participate in full or part-time
11 employment with the local school system upon completion of
12 DROP.

13 "(d) A member who chooses to participate in DROP may
14 elect an option allowance set out for members of the Teachers'
15 Retirement System in subsection (h) of Section 16-25-14 at the
16 beginning of the participation period. Otherwise, he or she
17 shall receive the maximum benefit. Such election shall be
18 irrevocable once the participation period begins except as
19 otherwise provided in this chapter.

20 "(e) For purposes of DROP, sick leave may not be
21 converted for purposes of establishing retirement eligibility,
22 nor used in the calculation of the original retirement
23 allowance except as provided in Section 16-25-151.

24 "(f) The election to participate in DROP shall be
25 made in accordance with procedures set forth in a uniform and
26 nondiscriminatory election and application form adopted by the
27 Board of Control. The election to participate in DROP may be

1 made at any time on or after the date the member becomes
2 eligible to participate as set out in subsection (b). Such
3 application must be made at least 30 days, but not more than
4 90 days, before the effective date of participation in DROP,
5 and shall be made no later than March 24, 2011. A member must
6 be eligible to participate, as provided above at the time the
7 application is made.

8 "(g) Upon the effective date of the commencement in
9 DROP, the member's service shall remain as it existed on that
10 date for the duration of DROP. Once a member enters DROP,
11 service credit purchases are prohibited. Both the employer and
12 employee member contribution shall continue to be made. The
13 monthly retirement allowance that would have been payable, had
14 the person elected to withdraw from service and receive a
15 retirement allowance, shall be paid into a DROP account that
16 reflects the credits attributed to the person in DROP.
17 However, the monies shall remain a part of the regular
18 retirement fund until disbursed to the participating member in
19 accordance with this section. Any monies paid into this
20 account are subject to the exemptions set out in Section
21 16-25-23.

22 "(h) ~~(i)~~ The DROP account shall earn interest at the
23 same rate that interest is posted to active member accounts as
24 defined in subdivision (15) of Section 16-25-1. A person who
25 participates in this plan shall not be eligible to receive a
26 retiree cost-of-living increase while participating in DROP,
27 and shall not be eligible for a retiree cost-of-living

1 increase until participation in the plan ceases and he or she
2 withdraws from service and has been receiving a retirement
3 allowance for at least one full year.

4 ~~"(2) Notwithstanding any other provision of this~~
5 ~~chapter, for any member who has fulfilled his or her~~
6 ~~obligation under DROP and does not withdraw from service and~~
7 ~~any member who begins participation in DROP on or before April~~
8 ~~1, 2011, and fulfills his or her obligation under DROP and~~
9 ~~does not withdraw from service, the amount of interest payable~~
10 ~~on benefit deposits after March 24, 2011, shall be the lesser~~
11 ~~of (1) the investment performance of the immediately preceding~~
12 ~~fiscal year but no less than \$0, or (2) as provided in~~
13 ~~subdivision (1) of subsection (d) of Section 16-25-151.~~

14 "(i) DROP shall not be subject to any fees, charges,
15 or other similar expenses of any kind for any purpose.

16 "(j) Participation in DROP shall not affect the
17 rights of any education employee including, but not limited
18 to, the Fair Dismissal Act, Section 36-26-100 et seq., the
19 tenure law, Section 16-24-1, et seq., or any other fringe
20 benefit.

21 "(k) Participation in DROP shall not affect the
22 accrual of annual and sick leave by the participant.

23 "(l) Participants in DROP may receive salary
24 cost-of-living adjustments and salary increases.

25 "§36-27-170.

26 "(a) As governed by this subsection, there exists as
27 a part of this retirement system, an optional account known as

1 the Deferred Retirement Option Plan, which may be cited as
2 "DROP." The purpose of DROP is to allow, contractually, in
3 lieu of immediate withdrawal from service and receipt of a
4 retirement allowance, continued employment for a specific
5 period of time, coupled with the deferral of receipt of a
6 retirement allowance until the end of such period of
7 participation, at which time the member shall withdraw from
8 service.

9 "(b) Participation in DROP is an option available to
10 any member of this retirement system who meets all of the
11 following:

12 "(1) Has at least 25 years of creditable service
13 exclusive of sick leave.

14 "(2) Is at least 55 years of age, or in the case of
15 a state police member, is at least 52 years of age.

16 "(3) Is eligible for service retirement.

17 "(4) Has an annual salary of one hundred thousand
18 dollars (\$100,000) or less.

19 "(c) An election to participate in DROP may be made
20 in one year increments not to exceed five years, nor to be
21 less than three years. A member may participate in DROP only
22 one time. Any voluntary termination within the first three
23 years in DROP will result in a forfeiture of a portion of his
24 or her DROP account that constitutes the retirement allowance.
25 However, member contributions will not be forfeited nor will
26 any interest attributable to the retirement allowance. There
27 will be no forfeiture if the participation period is

1 interrupted due to an involuntary dismissal, disability,
2 involuntary transfer of his or her spouse, or death of the
3 participant. After five years, the employee shall withdraw
4 from active service upon completion of DROP. The employee
5 shall not participate in full or part-time employment with the
6 state upon completion of DROP.

7 "(d) A member who chooses to participate in DROP may
8 elect an option allowance set out for members of the
9 Employees' Retirement System in subsection (d) of Section
10 36-27-16 at the beginning of the participation period.
11 Otherwise, he or she shall receive the maximum benefit. Such
12 election shall be irrevocable once the participation period
13 begins except as otherwise provided in this chapter.

14 "(e) For purposes of DROP, sick leave may not be
15 converted for purposes of establishing retirement eligibility,
16 nor used in the calculation of the original retirement
17 allowance except as provided in Section 36-27-171. A person
18 electing to enter the DROP program is not eligible for a
19 lump-sum payment for any annual or sick leave until withdrawal
20 from service.

21 "(f) The election to participate in DROP shall be
22 made in accordance with procedures set forth in a uniform and
23 nondiscriminatory election and application form adopted by the
24 Board of Control. The election to participate in DROP may be
25 made at any time on or after the date the member becomes
26 eligible to participate as set out in subsection (b). Such
27 application must be made at least 30 days, but not more than

1 90 days, before the effective date of participation in DROP,
2 and shall be made no later than March 24, 2011. A member must
3 be eligible to participate, as provided above, at the time the
4 application is made.

5 "(g) Upon the effective date of the commencement in
6 DROP, the member's service shall remain as it existed on that
7 date for the duration of DROP. Once a member enters DROP,
8 service credit purchases are prohibited. Both the employer and
9 employee member contribution shall continue to be made. The
10 monthly retirement allowance that would have been payable, had
11 the person elected to withdraw from service and receive a
12 retirement allowance, shall be paid into a DROP account that
13 reflects the credits attributed to the person in DROP.
14 However, the monies shall remain a part of the regular
15 retirement fund until disbursed to the participating member in
16 accordance with this section. Any monies paid into this
17 account are subject to the exemptions set out in Section
18 36-27-28.

19 "(h) ~~(i)~~ The DROP account shall earn interest at the
20 same rate that interest is posted to active member accounts as
21 defined in subdivision (12) of Section 36-27-1. A person who
22 participates in this plan shall not be eligible to receive a
23 retiree cost-of-living increase while participating in DROP,
24 and shall not be eligible for a retiree cost-of-living
25 increase until participation in the plan ceases and he or she
26 withdraws from service and has been receiving a retirement
27 allowance for at least one full year.

1 ~~"(2) Notwithstanding any other provision of this~~
2 ~~chapter, for any member who has fulfilled his or her~~
3 ~~obligation under DROP and does not withdraw from service and~~
4 ~~any member who begins participation in DROP on or before April~~
5 ~~1, 2011, and fulfills his or her obligation under DROP and~~
6 ~~does not withdraw from service, the amount of interest payable~~
7 ~~on benefit deposits after March 24, 2011, shall be the lesser~~
8 ~~of (1) the investment performance of the immediately preceding~~
9 ~~fiscal year but no less than \$0, or (2) as provided in~~
10 ~~subdivision (1) of subsection (d) of Section 36-27-171.~~

11 "(i) DROP shall not be subject to any fees, charges,
12 or other similar expenses of any kind for any purpose.

13 "(j) Participation in DROP shall not affect the
14 rights of any state employee under the state personnel system,
15 including, but not limited to, his or her rights to longevity
16 pay.

17 "(k) Participation in DROP shall not affect the
18 accrual of annual and sick leave by the participant.

19 "(l) Participants in DROP may receive salary
20 cost-of-living adjustments and salary increases."

21 Section 2. This act shall become effective on the
22 first day of the third month following its passage and
23 approval by the Governor, or its otherwise becoming law.